

**FINANCIAL ACCOUNTING
FOR
NEW JERSEY SCHOOL DISTRICTS
CHARTER SCHOOLS AND
RENAISSANCE SCHOOL PROJECTS**

THE AUDIT PROGRAM

2016-2017

**STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION
OFFICE OF SCHOOL FINANCE
PO BOX 500
TRENTON, NEW JERSEY 08625-0500**

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SIGNIFICANT CHANGES FOR 2016-17

- Reduced the number of hard copies of the CAFR and the AMR submitted to the DOE to ONE COPY for all districts, (including former Abbott/Fund 15 reporting districts) charter schools and renaissance school projects. Another hard copy is still required to be sent to the county office.
- Eliminated the Quality Assurance Report section entirely. OFAC’s internal review policies are deemed appropriate.
- Sample Schedule B-5- Statement of Revenues, Expenses and Changes in Fund Net Position has been revised to include detailed Food Service Program lines for the revenues from School Breakfast Program, After School Snack Program, Summer Meal Program, CACFP Food and CIL program and the Fresh Fruit and Vegetable program.
- P.L. 2016, c.29, enacted on August 18, 2016 effective April 1, 2017 codified as N.J.S.A. 40A:5-16.5, amended N.J.S.A. 40A:5-1 et seq. to permit school districts, charter schools and renaissance schools to utilize “standard electronic funds transfer technologies” for the payment of claims in lieu of payment through the use of signed checks or warrants.
- Added guidance for disclosure requirements under GASBS 77, effective for fiscal years commencing after December 15, 2015.
- Added guidance to sections I-4 and III-4 that the Commissioner granted approval through August 1, 2017 to district boards of education/boards of school estimate that received a revised state aid notice indicating a *decrease* to state aid to transfer additional unassigned general fund surplus into the 2017-18 budget.

OTHER CHANGES / UPDATES FOR 2016-17

**The following is a summary of changes / updates:
(changes for 2016-17 are highlighted in gray)**

General changes are found throughout the document.

Specific changes are found in the following sections/chapters:

Introduction

- No changes.

Section I-1

- Clarified that 2016-17 guidance for the Community Disaster Loan and Community Development Block Grant was for reference only.
- Effective May 1, 2017, the definitions impacting determination of maximum salaries for superintendents included in N.J.A.C. 6A:23A-1.2 were revised to add definitions for “additional administrative position salary increment”, “additional school district salary increment” and “high school salary increment”.

Section I-2

- No changes.

Section I-3

- Noted that the ASSA student count guidance presented in this text is applicable to the October, 14, 2016 student count. New guidance pertaining to the student count for October 13, 2017 will be forthcoming in the fall of 2017. Early compliance is encouraged for those district/charter schools/renaissance school projects who are able to comply with the new guidance for the October 14, 2016 student count.
- Updated all dates and schedules regarding the October 14, 2016 ASSA student count.
- Added link for the *USDA Eligibility Manual for School Meals, School Year 2016-17*.
- Stressed the responsibility of the resident school districts to obtain copies of the 2016-17 Free and Reduced Price Meals Applications and related documentation in support of the ASSA submission made to the state from the charter school or renaissance school project.
- Updated the list of English language proficiency tests to include the Access for ELLs 2.0 and the WIDA Screener.
- Deleted the reimbursement amounts for SEMI services.
- Added guidance for the SEMI-ARRA December 2016 payment.

Section I-4

- Added guidance that the Commissioner granted approval through August 1, 2017 to district boards of education/boards of school estimate that received a revised state aid notice indicating a *decrease* to state aid to transfer additional unassigned general fund surplus into the 2017-18 budget.
- Added that emergency reserves can be used for security upgrades if included in the original budget certified for taxes pursuant to 18A:7G-6(c)1.

Section I-5

- Revised to include that P.L. 2016, c.29, enacted on August 18, 2016 effective April 1, 2017 codified as N.J.S.A. 40A:5-16.5, amended N.J.S.A. 40A:5-1 et seq. to permit school districts, charter schools and renaissance schools to utilize “standard electronic funds transfer technologies” for the payment of claims in lieu of payment through the use of signed checks or warrants.

Section I-6

- No changes.

Section I-7

- No changes.

Section I-8

- No changes.

Section II-10

- Clarified guidance for reporting of future fiscal years' State Aid advanced to a school district during the current fiscal year that will be repaid by the school district to the State through deductions from subsequent years' State Aid payments. In accordance with the "advance" agreement and guidance provided to the school district at the time of the "advance", repayments are generally scheduled to be made over a 10 year period.
- Deleted guidance related to recording proceeds of the CDL for eligible districts. Also added guidance about repayment of the CDL for those districts who have been determined to be in a repayment situation.
- Clarified that FEMA is in the process conducting cancellation reviews of the CDL whereby a district may be eligible for full or partial cancellation of principal and related interest. Also clarified that no district received CDBG funds for 2016-17.
- Added link for the GASB Implementation Guide No. 2017-1, Implementation Guidance Update-2017.
- Added that emergency reserves can be used for security upgrades if included in the original budget certified for taxes pursuant to 18A:7G-6(c)1.
- Added guidance that pursuant to N.J.S.A. 18A:22-8.1, districts that experienced a reduction in their 2017-18 State aid, may transfer/increase the amount of unassigned general fund surplus budgeted in the original 2017-18 budget certified for taxes. The amount of the transfer/increase cannot exceed the loss of the State aid.
- Added guidance that pursuant to N.J.S.A. 18A:22-8.1, districts that experienced a reduction in their 2017-18 State aid, may transfer/increase the amount of unassigned general fund surplus budgeted in the original 2017-18 budget certified for taxes. The amount of the transfer/increase cannot exceed the loss of the State aid.

Section II-20

- Updated FICA and Medicare wage limits for 2016 and 2017.
- Updated list of approved charter schools eligible to operate a preschool program for 2016-17.

Section II-30

- Updated to reflect that effective May 15, 2017, an amendment to N.J.A.C. 5:30-2.5, permits boards of education to issue refunding bonds without prior Local Finance Board approval if the new debt service is structured such that no annual debt service payment is more than it was under the original debt service schedule and the final maturity of the refunding bond does not extend past the budget year in which such final maturity was originally scheduled to mature.

Section II-40

- No changes.

Section II-50

- No changes.

Section II-60

- Updated all memos and website links.
- Updated the FY 2016-17 timeline in which Direct Certification is to be performed.
- Updated National School Program Reimbursement Rate Schedule.
- Added that Effective March 17, 2017, reporting income on an annual basis is acceptable on the Application for Free and Reduced Price School Meals.
- Added detailed guidance on what is considered “non-program foods” and added detail revenue and expenditure lines to the Schedule B-5 to breakout line items in order to calculate the non-program revenue tool.
- Added link to the Schedule B-5.
- Clarified that auditors must comment in the AMR about the ability for a SFA to execute the Non-program Food Revenue Tool.

Section II-70

- Clarified definition of Internal Service Fund.

Section II-80

- Updated website to the Department of Labor Worker Unemployment Rates. (Rates remain unchanged).

Section II-90

- Added that the employee withholdings for health care are reported to the NJDOE in Audsum on (memo only) line 71228- Health Cost (premium) Withholding.

Section II -CA

- No Changes.

Section II-LT

- No Changes.

Section II-SA

- Noted that the Federal Compliance Supplement will be available on our webpage when it is published.
- Clarified the reporting of revenue when a district has an approved arrangement for receipt of Advanced State Aid from the state.
- Clarified that a grantee must develop and submit an amendment to their original NCLB award application and may budget carryover and/or overpayment funds in the original (subsequent year) grant application, or where the original grant application has received final NJDOE approval as recorded in EWEG in advance of the carryover/overpayment determination.
- Added that a grantee is only required to file a corrective action plan if there were findings in either the CAFR or the AMR.

- Updated the Federal Program Numbers for the Catalog of Federal Domestic Assistance and the Federal Award Identification Numbers.
- Added links to Department of Education Broadcast Notifications related to grant awards.
- Noted that if a federal or state single audit is not required, show “N/A” next to the section title on the Schedule of Findings and Questioned Costs.
- Clarified filing requirements for submission of Prior Audit Findings, Schedule of Findings and Questioned Costs.

Section III-1

- Updated audit reporting package due date as December 5, 2017.
- Streamlined the Audit Reporting Package submission requirements.
- Reduced the number of hard copies of the CAFR and the AMR submitted to the DOE to ONE COPY for all districts, (including former Abbott/Fund 15 reporting districts) charter schools and renaissance school projects. Another hard copy is still required to be sent to the county office.
- Removed the requirement to submit a hard copy of the Audit Questionnaire to the Executive County Office. Only a hard copy of the CAFR and the AMR are to be mailed to the County Office.
- Clarified that the CAP is to be uploaded to the DOE only if there were findings in either the CAFR or the AMR.
- Updated contact person for the Renaissance School Projects and the NJ Agriculture-State Child Nutrition Program.
- Updated the title, mailing address, and email address for the NJ Department of Agriculture, Division of Food and Nutrition.
- Updated reference to the AICPA Audit Guide Government Auditing Standards and Single Audits (April 1, 2016) provides Example 13-7, Schedule of Findings and Questioned Costs, on page 381

Section III-2

- Updated to reflect issuance of GASBS 80, amending the blending requirements for financial presentation of component units under GASBS 14.

Section III-3

- Updated post-retirement benefit footnote for the State Health Benefits Program (SHBP) related to qualified local education active and retired participants, who retire from a board of education or county college, members of PERS and ABP who retire with 25 years of service or on a disability.
- Added guidance for disclosure requirements under GASBS 77, effective for fiscal years commencing after December 15, 2015.

- Updated the note to the financial statement regarding the FEMA Community Disaster Loan to include the outcome of the FEMA comprehensive financial review and payback arrangement, if applicable.

Section III-4

- Updated links to schedules of meal count activity and audited enrollments.
- Added a sample finding regarding the proper presentation of program and non-program revenue and program and non-program cost of goods sold on the Statement of Revenues, Expenses, and Changes in Fund Net Assets (CAFR Schedule B-5).
- Added sample AMR findings for LEAD testing program aid.
- Revised Excess Surplus calculation for the additional designation of June 30, 2017 fund balance for use in the 2017-18 budget by special board resolution to address the decrease in 2017-18 state aid

Section III-5

- No changes.

Section III-6

- Updated the budgeted State per Pupil cost for legal fees from \$51 to \$53 and updated the actual State per Pupil cost for legal fees from \$60 to \$53.
- Updated the Administrative Questionnaire to include that service providing practitioner(s) are SEMI qualified or are providing services under the direction of a SEMI qualified provider, if applicable to speech, audiology, occupational therapy, or physical therapy and that services provided by that practitioner(s) are eligible for reimbursement.

Section III-7

- Updated the Audit Recommendation Summary, The Corrective Action Plan and the Certification of Implementation for FY 2017.

Section III-8

- Eliminated this section entirely. OFAC's internal review policies are deemed appropriate.

OVERVIEW

Financial Accounting for New Jersey School Districts/Charter Schools/Renaissance School Projects (The Audit Program) is updated annually and includes instructions for both district/charter school/renaissance school project personnel and public school accountants regarding preparing for and performing the annual audit. The full text of *The Audit Program* is available on the web site <http://www.nj.gov/education/finance/fp/audit/>.

The *Comprehensive Annual Financial Report (CAFR)* is the basis for the annual audit. New Jersey state law and administrative code (*N.J.S.A.18A:4-14* and *N.J.A.C. 6A:23A-16*) require school districts/charter schools/renaissance school projects to follow generally accepted accounting principles (GAAP). These principles are augmented with the release of statements from the Governmental Accounting Standards Board (GASB). The Outline for Comprehensive Annual Financial Report (CAFR) section at the end of this introduction provides additional information on the CAFR.

Renaissance School Projects:

As amended by P.L. 2014, c.61, N.J.S.A. 18A:36C-7h provides that a nonprofit entity shall operate a renaissance school project “in accordance with the contract entered into pursuant to section 6 of this act, the provisions of this act, and the laws and regulations that govern charter schools which are not inconsistent with this act.” Accordingly, in this Audit Program, unless specifically noted, “charter schools” shall also refer to “renaissance school project”.

Guidance unique or specific to districts that are required to use **school-based budgeting (SBB)** is included in the applicable sections of this Audit Program as follows:

Description	Section-Chapter	Rationale
Refer to website for guidance on CAFR schedules specific to districts required to use school-based budgeting	Intro-xxiv	Districts required to use school-based budgeting must prepare schedules reporting activity and balances in fund 15, the subfund used for school level accounting and reporting.
Excess surplus calculation modification for expenditures allocated to restricted federal resources and capital leases with blended funds	II-10	Fund 15 expenditures blended with federal must be allocated to state and local.
TPAF and FICA Reimbursement Calculation for SBB districts	II-20	The blending of federal, state and local funds in the school-based budgets recorded in Fund 15 necessitates a calculation of the salary amounts paid in Fund 15, which are attributable to federal sources.
Schoolwide Programs description and compliance	II-SA	Expanded explanation of schoolwide programs as related to Title I and how these are treated for preparation of the Schedule of Federal Expenditures

Blended resources and computing Type A and Type B programs		II-SA	Expenditures incurred in schoolwide programs must be included in the total expenditures of the program contributing the funds when determining Type A and Type B programs for Single Audit testing.

Reference Materials

Reference materials published by outside organizations are available to provide guidance in report preparation. The Government Finance Officers Association (GFOA) publishes *Governmental Accounting, Auditing and Financial Reporting*, commonly known as the "blue book" that is used nationwide as a reference tool for CAFR preparation. The American Institute of Certified Public Accountants (AICPA) issues *Checklist and Illustrative Financial Statements for State and Local Governmental Units* that is a recommended reference for disclosure requirements. The Association of School Business Officials International offers a Certificate of Excellence in Financial Reporting by School Systems Program that awards certificates to those annual reports that fully meet the requirements established by GAAP and publishes a self-evaluation worksheet that may also be used as a tool in report preparation.

Responsibility/Government Auditing Standards

N.J.A.C. 6A:23A-16.2(i) requires the issuance of a CAFR by every school district/charter school/renaissance school project, along with interim financial statements to facilitate management control of financial operations. *N.J.S.A.* 18A:6-100 g. requires the board of an Educational Information and Resource Center to have performed an annual audit of the center's accounts and financial transactions in the manner provided by *N.J.S.A.* 18A:23-1 et.seq. Financial statements are the responsibility of the board of education's/board of trustee's/board of directors management and are its representation of the financial position at a given point in time and the operations of the district/charter school/renaissance school project during a period of time.

The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (may be referred to as the *Uniform Administrative Requirements* throughout this Audit Program) is available on the U.S. Government Publishing Office website at: http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl.

Federal Requirements:

For the year ended June 30, 2016, the federal Single Audit Act requires organizations that expend \$750,000 or more in federal financial assistance have an audit (single audit or program specific audit) conducted in accordance with 2 CFR Part 200- *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Administrative Requirements)* Subpart F – Audit Requirements (200.501).

State Requirements:

NJ Circular Letter 15-08-OMB specifies the State single audit threshold for the expenditure of State of New Jersey financial assistance is \$750,000 for the fiscal year ended June 30, 2016. Section III (POLICY) of NJ Circular Letter 15-08-OMB provides that New Jersey school districts/charter schools/renaissance school projects/educational resource and information centers that expend \$750,000 or more in State or federal financial assistance in the fiscal year under audit must have a single audit, or program specific audit, performed in accordance with the Act, Amendments, 2 CFR

200 – Subpart F – Audit Requirements, and State policy. New Jersey Circular Letter 15-08-OMB is available on the Treasury website at: http://www.state.nj.us/infobank/circular/cir1508_omb.pdf

NJ Circular Letter 15-08-OMB specifies that recipients of federal grant, State grant or State aid funds that expend less than \$750,000 in federal **or** State financial assistance but expend \$100,000 or more in State **and/or** federal financial assistance within the fiscal year, must have either a financial statement audit performed in accordance with *Government Auditing Standards August 2011 Revision*, (Yellow Book), or a program specific audit performed in accordance with 2 CFR 200 the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* Subpart F – Audit Requirements, and State policy.

Government Auditing Standards August 2011 Revision, (Yellow Book) (GAGAS) is available through the website:
<http://gao.gov/assets/590/587281.pdf>

Submission/Reporting Package

The Department of Education requires the submission of the reports described below on or before the statutory deadline. The *statutory* submission date is the fifth day after five months (*N.J.S.A. 18A:23-1*) after the end of the school fiscal year. Accordingly, the deadline for submission of June 30, 2017 audits is Tuesday, December 5, 2017. The Commissioner has statutory authority (*N.J.S.A. 18A:23-6*) to appoint auditors for districts/charter schools/renaissance school projects/EIRC's failing to meet the statutory due date or invoke other administrative actions but the Commissioner does not have discretion to change a statutory requirement, such as the due date. *N.J.S.A. 18A:7A-55* includes late submission of the annual audit as one of the conditions for appointment of a state monitor.

1. The CAFR

The CAFR is the school district, charter school, or renaissance school project official annual report. It should include all funds of the district/charter school/renaissance school project. It is organized into three primary sections: 1) an introductory section, 2) a financial section, and 3) statistical section. If a school district, or charter school, renaissance school project, or EIRC falls under the reporting requirements of the Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996 and the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and/or the reporting requirements under NJOMB Treasury Circular Letter or 15-08, the CAFR will also contain a single audit section. The CAFR will strictly adhere to the Outline of the CAFR located at the end of this introduction. The report must include all sections, letters and exhibits in the applicable sample CAFR as they apply to each school district, charter school, renaissance school project, or EIRC as well as any additional statements, schedules, and disclosures required under the circumstances of the school district, charter school, renaissance school project, or EIRC. The report must also include all applicable single audit opinion letters prepared by the local school district, charter school, renaissance school project, or EIRC auditor in the single audit section. Links to sample single audit letters and New Jersey specific reference are provided in Section III – Chapter 2 of *The Audit Program*.

2. The Auditor's Management Report on Administrative Findings, Financial, Compliance and Performance (AMR)

This separate report will serve as the auditor's report to management. This report must be submitted together with the CAFR to the Department of Education in order to comply with N.J.S.A. 18A:23-9 and Finance Policy Bulletin 200-1. A sample Auditor's Management Report is located in Section III – Chapter 4.

3. Audit Summary (Audsum)

The Audit Summary (Audsum) is an electronic submission of audited data. Audsum is completed through a web application available (anticipated availability September 2017) to auditors through the DOE website at: <http://www.state.nj.us/education/finance/audsum/> and to schools through NJDOE Homeroom at: <http://homeroom.state.nj.us/>. First-time-user auditors must create a user name and password in order to complete their registration with the Audsum web application. For control purposes, the department recommends that each auditor/user within the audit firm obtain a unique user name and password. If you need to be sent a reminder of your user name and/or password, or change your user name and/or password, please send a request to the Audsum email at: audsum@doe.state.nj.us. User names and passwords will remain active until the auditor requests removal through an email request to audsum@doe.state.nj.us. School auditors must annually request a PIN for each of their school audit clients by emailing a PIN request to: audsum@doe.state.nj.us. The auditor/user must then link the DOE assigned district PIN for the audit year to their user name and password in order to access Audsum screens for a school client. The auditor is responsible for the entry of data into electronic Audsum and the board secretary/business administrator is responsible for carefully reviewing the reports generated by Audsum. The school auditor and the board secretary/business administrator are required to indicate their respective approval of the Audsum data through the electronic signature process available on the web application using the Data Finalize and Certify screen. The school's board secretary/business administrator is responsible for the transmission of the Audsum data via the web application to the Department of Education no later than the CAFR due date (December 5, 2017). This information is used by the Department of Education for a variety of purposes, including downloading into the actual column of the school budget software maintained by the department. **It is very important that auditors and district personnel pay particular attention to the accuracy of the data to avoid having to resubmit the data. If data is resubmitted due to an error in the CAFR, revised pages of the CAFR must be sent.**

Transmission of the reporting package to the OFAC CAFR Repository is mandatory for year end June 30, 2017. The OFAC CAFR Repository may be accessed through NJDOE Homeroom at <http://homeroom.state.nj.us/>. The procedure for submission of the CAFR and the AMR was adopted by the Department of Education to conform to the common practice for CAFR presentation followed by other school districts throughout the country. The two reports have separate, distinct purposes. The CAFR is the financial report presented to the board for conformance with GAAP. The AMR is the auditor's report to the board of education/board of Trustees/Board of Directors of his/her findings and recommendations as a result of the audit. In accordance with the *Uniform Administrative Requirements* the CAFR will also be submitted to the Federal Audit Clearinghouse as part of the reporting package along with the Data Collection form (SF-SAC) whenever a federal single audit of the school district, charter school, renaissance school project, or EIRC is required. In conformity with the federal due date, the Federal Data Collection Form (SF-SAC) may be submitted to the New Jersey Department of Education within 30 days after the audit report is filed with the district board of education, charter school/renaissance school project board of trustees, or EIRC board of directors. Accordingly, associated audit items and the upload of audit files transmitted to the OFAC CAFR Repository may be submitted on time without including the

archived copy of the SF-SAC. When available, and in accordance with the federal due date, the archived copy of the SF-SAC must be uploaded to the OFAC CAFR Repository.

The OMB requires all PDF uploads of the reporting package submitted to the Federal Audit Clearinghouse to be text-searchable, unlocked and unencrypted. Information about the federal submission requirements can be found at <https://harvester.census.gov/facweb/default.aspx/>. Consistent with the submission requirements established by the Federal Audit Clearinghouse (FAC), New Jersey also requires all audit file submissions to the CAFR repository be unlocked, unencrypted, text-searchable PDF files with standard audit finding reference numbers in sequential format (e.g. 2017-001 through 2017-999).

The *Uniform Administrative Requirements* and NJOMB Circular Letter 15-08-OMB require that the Schedule of Findings and Questioned Costs contain, but not be limited to, significant deficiencies in internal control over major programs, material non-compliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program, and known questioned costs which meet the threshold as defined in *Uniform Administrative Requirements* (Subpart F 200.516). *N.J.S.A. 18A:23-9* states that the auditor "...report any error, omission, irregularity, violation of law, together with recommendations, to the board of education of each school district." Accordingly, the Auditor's Management Report (AMR) must include all findings, including any items contained in the Schedule of Findings and Questioned Costs and the Legal or Regulatory Requirements section of the Auditor's Report.

OUTLINE FOR COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

New Jersey statute (*N.J.S.A.18A:4-14*) requires a school district, charter school, renaissance school project, or EIRC maintain bookkeeping consistent with generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board (GASB). The financial reporting requirements of GAAP include the issuance of a CAFR.

The financial statements are the responsibility of the school's management (board of education, board of trustees, board of directors). AU-C Section 220 of the *Clarified Statements on Auditing Standards* issued by the Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA) addresses auditor independence as part of quality control for an engagement conducted in accordance with generally accepted auditing standards. General Accounting Office (GAO) *Government Auditing Standards (Yellow Book Rev. 2011)* paragraphs 3.02 through 3.59 contain the independence standards that comprise the Generally Accepted Governmental Auditing Standards (GAGAS). Paragraph 3.40 addresses non-audit activities such as financial statement preparation, modified accrual to accrual conversions, and other non-audit services provided to an audit client. Those non-audit activities must be evaluated using the conceptual framework provided in paragraph 3.46.

<http://www.aicpa.org/Research/Standards/AuditAttest/DownloadableDocuments/AU-C-00220.pdf>

<http://www.gao.gov/assets/590/587281.pdf>

Financial statement preparers of school district, charter school, renaissance school project, or EIRC financial reports should reference the NJ Department of Education (NJDOE) website at <http://www.state.nj.us/education/finance/fp/cafr/> (click on CAFR) for selected sample statements and schedules, including the basic financial statements and budgetary comparisons which are in excel files that can be downloaded by school staff. Please be aware that those illustrations may not be in conformity with recent pronouncements and statements issued by GASB. Information on Management Discussion and Analysis (MD&A) requirements and guidance on financial reporting for school districts required to use school-based budgeting are also available at that web site to assist auditors and district staff. **The illustrative statements and schedules are not intended to be boilerplate nor inclusive of every situation.**

The NJDOE requires that each governmental fund be treated as a major fund in the fund statements for GASBS 34 presentation. Questions relating to the preparation of NJ school CAFRs may be emailed to doecafr@doe.state.nj.us.

The format of the CAFR should adhere to the Outline and numbering of the exhibits as shown on the following pages. If a section or exhibit is not applicable to the school district, charter school, renaissance school project, or EIRC, the notation "N/A" should be indicated against that item in the Table of Contents.

Auditor's Note – Auditors should refer to the website <http://www.nj.gov/education/finance/fp/cafr/> for guidance on schedules that specifically relate to districts that are required to use school-based budgeting.

The CAFR includes the Introduction, Financial, Statistical, and Single Audit Sections. The contents of each section are as follows:

Introductory Section – Although not required by GAAP, this section is used by the GFOA “Blue Book” and is intended to familiarize the reader with the organizational structure of the school district/charter school/ renaissance school project and information useful to the reader to evaluate the district’s/charter school’s financial condition. It is important that the letter of transmittal avoid duplicating information already provided in detail elsewhere in the CAFR.

Financial Section – This section includes the: 1) independent auditor’s report, 2) Management's Discussion and Analysis (MD&A), 3) basic financial statements including the school district, charter school, renaissance school project, or EIRC -wide statements (accrual basis for governmental and business-type activities), fund statements (modified accrual basis for governmental funds, accrual basis for proprietary funds and for fiduciary funds), and notes to financial statements, 4) Required Supplementary Information (RSI) other than MD&A including budgetary comparison schedules, and 5) Other Supplementary Information including combining and individual fund statements, and additional schedules. Certain combining schedules may not be applicable. For example, if a school district has only two programs in the Proprietary Fund, a combining schedule would not be necessary. The School Level Schedules (D series in the Outline) should only be included for school districts that are required to use school-based budgeting. Indicate by “N/A” when a schedule is not applicable.

Statistical Section – This section is intended to provide CAFR users with a broader and complete understanding of the school district, charter school, renaissance school project, or EIRC and its financial matters than is possible from the financial statements and supporting schedules included in the financial section. Sample schedules under GASB Statement No. 44 (GASBS 44) and guidance for preparing the schedules can be found on the NJDOE web site <http://www.state.nj.us/education/finance/fp/cafr/> (click on CAFR). The Outline of the CAFR reflects these revisions. Statistical information to assist school auditors in preparing this section is posted on that the department’s web site (click on Audit Information, and then 2015-16 Audit Program).

The Performance Framework sets the academic, organizational and fiscal standards by which all New Jersey charter schools will be evaluated, informing the Department of Education and individual school officials about school performance and sustainability. Charter schools are required to calculate and report financial performance indicators in the statistical data section of the CAFR (refer to page III-3.18 of this Audit Program).

The Financial Performance Framework section was designed as a starting point for the NJDOE to assess the financial health and viability of charter schools in New Jersey. The Framework, containing both near term and sustainability indicators, is a monitoring tool that provides the NJDOE with key data that summarizes a charter school’s current financial health, while taking into account the school’s financial trends over a period of three years. Near term indicators provide an understanding of a school’s financial picture in the upcoming school year, while sustainability indicators depict a school’s financial viability over time. In total, eight different measures provide a snapshot of a school’s near term financial health, historic trends, and future viability; this allows the NJDOE to proactively address areas of concern. The Performance Framework can be accessed at the NJDOE web site: <http://www.state.nj.us/education/chartsch/PerformanceFramework.pdf>

Single Audit Section – This section includes independent auditor’s reports on compliance and internal control, schedules of expenditures for federal and state grants, notes to the schedules of expenditures of federal and state grants, schedule of findings and questioned costs, and a

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summary schedule of prior audit findings. This information is required by the *Uniform Administrative Requirements* and New Jersey OMB Circular Letter 15-08-OMB .

OUTLINE OF CAFR

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Organizational Chart
Roster of Officials
Consultants and Advisors

FINANCIAL SECTION

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Management’s Discussion and Analysis**

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A. District/Charter School/Renaissance School Project-Wide Financial Statements:

- A-1 Statement of Net Position
- A-2 Statement of Activities

B. Fund Financial Statements:

Governmental Funds:

- B-1 Balance Sheet
- B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances
- B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Proprietary Funds:

- B-4 Statement of Net Position
- B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position
- B-6 Statement of Cash Flows

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- B-7 Statement of Fiduciary Net Position
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C. Budgetary Comparison Schedules:

- C-1 Budgetary Comparison Schedule – General Fund
- C-1a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (**if applicable**)
- C-1b Community Development Block Grant– Budget and Actual (**if applicable**)
- C-2 Budgetary Comparison Schedule – Special Revenue Fund

Notes to the Required Supplementary Information- Part II

C-3 Budget-to-GAAP Reconciliation

Required Supplementary Information – Part III

L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)

- L-1 Schedule of the District’s Proportionate Share of the Net Pension Liability –PERS
- L-2 Schedule of District Contributions – PERS
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D. School Based Budget Schedules (**if applicable**):

- D-1 Combining Balance Sheet
- D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual
- D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual

E. Special Revenue Fund:

- E-1 Combining Schedule of Program Revenues and Expenditures – Budgetary Basis
- E-2 Preschool Education Aid Schedule(s) of Expenditures – Budgetary Basis

F. Capital Projects Fund:

- F-1 Summary Schedule of Project Expenditures
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G. Proprietary Funds:

Enterprise Fund:

- G-1 Combining Schedule of Net Position
- G-2 Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
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- G-4 Combining Schedule of Net Position
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- H-2 Combining Statement of Changes in Fiduciary Net Position
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- I-2 Schedule of Obligations under Capital Leases
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- J-7 Direct and Overlapping Property Tax Rates
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- J-10 Ratios of Outstanding Debt by Type
- J-11 Ratios of General Bonded Debt Outstanding- **N/A to Charter Schools**
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- J-16 Full-time Equivalent District/Charter School/Renaissance school Employees
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- J-17 Operating Statistics
- J-18 School Building Information
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by School Facility
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- J-21 Charter School Performance Framework, Financial Performance, Fiscal
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*Private citizens should be listed as Individual Taxpayer 1, Individual Taxpayer 2, etc.

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- K-1 Report on Internal Control over Financial Reporting and on Compliance and
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- K-3 Schedule of Expenditures of Federal Awards, Schedule A
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- K-5 Notes to the Schedules of Awards and Financial Assistance
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